

# IIABL NEW AGENCY TOOL KIT

This toolkit is designed to educate and assist in the process of starting an independent agency, but it is up to you to make it happen. Building an agency from scratch is possible. If you're successful, the rewards are considerable, including the ability to call your own shots, a healthy return on investment in the form of owner's equity and the satisfaction of being in a business that protects people and their valuables. On the other hand, starting an agency from scratch is challenging.

## Following is a short list of critical success factors necessary to make it:

- **Capital** – While an independent agency is not capital intensive relative to other industries, you can expect to need approximately \$40,000 to \$50,000 in start-up capital to pay for things such as office space, equipment and furniture, E&O insurance and marketing; and that doesn't count resources necessary to live on while you build your customer base.
- **Access to insurance companies** – You can get licensed but you can't sell insurance without access to insurance companies and managing general agents. For property and casualty insurance, most companies are looking for a long-term relationship. Getting an appointment usually requires, among other things, experience in the business, a track record of successful marketing and selling, a marketing territory geographically desirable to the companies and a solid proposed business model.
- **Good sales and administrative skills** – Some people have great selling skills and can make great insurance producers. Other people are great at administration and service. Starting an agency from scratch will require both sets of skills until you get large enough to hire others.
- **Thorough technical expertise** – Customers are placing their risk management needs in your hands, therefore you need to understand the products you're selling. Depending on the lines of business you intend to offer, there are scores of different policy forms and coverage implications. Add to that the importance of understanding the risk management process itself, and you have a very knowledge-intensive profession.

If you're still interested, this toolkit will walk you through the steps necessary to get started and provide resources to help you implement the steps where possible.

## Step 1 The Groundwork – How to get started

### Laying the Groundwork

- **Establish a realistic timeline.** Starting an agency will take time. How long it takes depends on your situation and how much time you have to work on it. It almost always takes more time than you think it will. Expect at least six months to arrange financing and two weeks to obtain E&O insurance.
- **Obtain qualified legal advice.** This is necessary if you're in a current relationship that may involve non-compete or other contractual-related issues.
- **Get an overview of the independent agency system and an introduction to basic insurance knowledge.** If you have operated your own captive agency, you are ahead of the curve (especially if you were able to establish a book of business outside the captive market). You understand how an agency works and are versed in the technical aspects of insurance contracts; however, for as many similarities between owning a captive agency and owning an independent agency, there may be just as many differences

Download & Links

 [Overview of Independent Agency System](#)

## Agency Management

### Consultants

IIABL has compiled this list of leading agency consultants across the nation. Web sites are linked from firm names where available. For further information about these or other consultants, contact IIABL. You can also find consultants through the American Association of Insurance Management Consultants at [www.aaimco.com](http://www.aaimco.com).

Suggestions for making the most out of working with consultants:

1. Understand your need as much as possible and what you hope to accomplish from outside expertise.
2. Screen the consultant to validate expertise:
  - a. Ask for written summaries of relevant client assignments completed.
  - b. Ask for multiple references who can confirm the consultant met objectives.
  - c. If you are going to get bids, start with a Request for Qualifications ( RFQ).
3. Be prepared to help the consultant get to know your organization.
4. Get a written proposal. If you're taking bids, prepare a Request for Proposal (RFP).
5. Understand the fee structure including expense reimbursement and payment schedule. Have payment schedule tied to interim benchmarks so you can evaluate the program. Ask for a satisfaction guarantee.
6. Get a written contract or letter of agreement that identifies consultant's deliverables, role in implementation; if any, and criteria for interim benchmarks. Include non-disclosure and non-compete language. Make sure you understand your obligations for successful implementation.

Consultant	Website	Specialization
Agency Consulting Group	<a href="http://www.agencyconsulting.com">www.agencyconsulting.com</a>	Management, Sales, Technology, M&A
Chris Burand	<a href="http://www.burand-associates.com">www.burand-associates.com</a>	Management, Sales, Technology, M&A
Fries & Fries	<a href="http://www.jackfries.com">www.jackfries.com</a>	Management, Sales, Technology
Manhattan Group	<a href="http://www.tmgny.com">www.tmgny.com</a>	M&A, Planning, Valuations, Legal
Marsh Berry	<a href="http://www.marshberry.com">www.marshberry.com</a>	Management, Sales, Technology, M&A
Nettles Consulting	<a href="http://www.nettlesconsulting.com">www.nettlesconsulting.com</a>	Workflow, Technology
Oak & Associates	<a href="http://www.oakandassociates.com">www.oakandassociates.com</a>	Management, Sales, Technology, M&A
Opis Partners, LLC	<a href="http://www.optisins.com">www.optisins.com</a>	Management, Sales, Technology, M&A
Reagan Consulting	<a href="http://www.reaganconsulting.com">www.reaganconsulting.com</a>	Management, Sales, Technology, M&A
Steve Anderson	<a href="https://steveanderson.com/">https://steveanderson.com/</a>	Technology
Van Aartrijk	<a href="http://www.aartrijk.com">www.aartrijk.com</a>	Marketing, PR
Wedge Group	<a href="http://www.thewedge.net">www.thewedge.net</a>	Sales

## Step 2 – The Business Plan – Five things every business plan should address

### Create the Business Plan

We will not bore you with the “not planning is planning to fail” lecture, but just about every industry relationship you need will require a formal business plan. This includes carrier prospects for appointments and E&O insurance providers. The business plan consists of a narrative, resumes and several financial worksheets. The five things every business plan should address are:

- a. **People** – At its core, the fundamental value of any agency is in the capability of its people to execute its objectives. Therefore, your business plan should include information about the people who are responsible to execute it. At a minimum, include resumes on each of the key players that describe the professional and personal background relevant to the agency business as well as the knowledge, skills and abilities possessed by each. For start-ups, a lack of a demonstrated track record may inhibit your ability to attract prospective employees, customers and carriers. To mitigate this uncertainty, include an explanation of who you know and how you may be known in the community and/or industry.
- b. **The opportunity** – A key to agency success and of interest to all current and potential stakeholders is how the agency plans to acquire customers, including with what products and services and with what advantages over competitors. This section should demonstrate that you know who your customer is, what your products and services are and how you will position your products and services to be selected over those of your competitors.
- c. **The business environment** – Your business plan should demonstrate that you have a keen awareness of the external business environment in which you operate, that you understand its impact on your business prospects and how you will navigate and exploit it. The discussion should encompass regulation, the economy, labor supply, customer markets, suppliers, competitors and in what way the status of these factors is relevant to the operation of your agency.
- d. **The risks** – Many business plans, especially those that will be used outside the agency to attract other stakeholders, often make the mistake of painting only a rosy picture; however, risk is inevitable. The best business plan readily identifies and confronts the risks to be faced. Potential stakeholders, especially prospective carriers, will develop confidence in those agencies that pose the risks and provide strategies to resolve them.
- e. **The numbers** – You need to have realistic expectations of where revenues will come from and when and how cash will be used; furthermore, insurance carriers will be interested in growth projections. At a minimum, you should have a start-up budget, a cash flow forecast and a production forecast.

#### Downloads & Links

[Business Plan Outline for Start-up Agency](#)

[Start-up Budget Worksheet](#)

[Cash Flow Budget Worksheet](#)

[Annual Production Calculator](#)

## Step 3 – E&O and Legal Criteria – Licensing, registration, tax ID, etc.

### Meet Legal Criteria

#### a. Choose an Entity

There are three broad categories to investigate when determining your business organization: sole proprietorships, partnerships and corporations. While sole proprietorships are the least expensive and easiest to create, they carry a risk of personal liability for the owners. Partnerships and corporations can afford further protection for the owners, but require more paperwork and cost.

#### b. Register your business with the Louisiana Secretary of State's office.

If you know which type of business that you want to start (i.e. corporation, Limited Liability Company, partnership, trade name, etc.), you can find those [forms](#) on the SOS website. You may also file [online](#).

If you are unsure as to what type of business (i.e. corporation, Limited Liability Company, partnership, trade name, etc.), you may need to contact an attorney, as this office is unable to assist in that determination. You may also contact a local [SCORE](#) office or [Counselors to America's Small Business](#) office for assistance.

#### c. Obtain federal tax identification number and state sales tax identification number

The IRS requires a Taxpayer Identification Number for all entities. This number is used in the administration of tax laws. If your agency is organized as a sole proprietorship, your social security number is your tax identification number. If your agency is organized as a partnership or corporation, you are given a Federal Employer Identification Number (FEIN).

- [Sole Proprietorships](#)
- [Partnerships](#)
- [Corporations](#)
- [LLC](#)

State sales tax identification numbers are issued by the Louisiana Department of Revenue.

**Online Applications for Louisiana Tax Account Numbers:** Whether you are opening a new business, adding a new location, or a new tax type to an existing business, you now can register your tax accounts online from your computer! Just think, no more completing a paper application, stuffing an envelope, or taking trips to the post office for stamps. It's fast, it's easy, and it's free. Simply complete the online question-based application and submit.

#### The following information is needed before you begin:

1. Legal name, location, and mailing address of your business.  
Federal Identification Number (if applicable).
2. Charter Number (if applicable).
3. Louisiana tax account number (if it is an existing business).
4. Name and address of owners, partners, or officers.
5. Social Security Number(s) of owners, partners, or officers.
6. Email address (if available).

#### How long will it take to get my Louisiana Revenue Account Number?

By submitting your application online **including a valid e-mail address**, a confirmation message will be sent to you **within 3 business days**. You will be required to log back into the system using the **Application Code and Password** you entered to retrieve your

Louisiana Revenue Account Number.

If an **e-mail address is not entered**, you will still be able to log back into the system within 3 business days to retrieve your Louisiana Revenue Account Number, however you will not receive automated notification when it is generated.

In addition, your Louisiana Revenue Account Number will be mailed to you within 4-6 weeks.

---

If you experience any difficulties completing the application refer to our Frequently Asked Questions (FAQ's) on the LDR Website or contact the Taxpayer Services Division at 225-219-7318.

### [START THE ONLINE APPLICATION PROCESS](#)

#### **Other Application Options:**

[Download the paper form \(pdf\)](#)

#### **d. Apply for E&O**

Since this is a new independent agency, and professional liability policies are on claims-made policy forms, your new E&O policy will have a retroactive date of the policy inception. In addition, since your agency is new and there is no previous information to reference, the E&O carriers will essentially have to underwrite you, as the owner, and your goals for the agency. E&O carriers will require a business plan and resume with all new applications. IIABL Insurance Agency is part of a national purchasing group providing E&O coverage to members. For this reason, IIABL membership is required before your E&O application can be processed.

1. [Westport Application](#)
2. [Allianz Application](#)
3. [Helpful Hints for a New Independent Agency](#)

The association is here to help members succeed. IIABL offers support through education, insurance market placement, technical advice, governmental advocacy and agency management support.

- o [IIABL Membership Application](#)
- o [IIABL Member Benefits Information](#)

#### **e. Obtain Licenses**

Most licensing applications are now submitted electronically rather than on paper. The site to submit an application will depend on the type of application being made and the requirement for that license. Some lines of insurance require prelicensing courses, and you must complete your prelicensing course before you schedule your examination. All fees will be collected at the time of submission of the application.

- [Resident individuals applying for a producer license for any combination of the lines of life, health and accident, property, casualty, personal lines, industrial fire, bail bond, surplus lines or title and all resident adjuster licenses.](#)
- [Resident individuals applying for a producer license for any combination of the lines of credit, travel, variable life and annuity or limited life, health and accident..](#)

- Individuals making application for a resident producer or adjuster license must comply with fingerprinting requirements. PSI provides examination and fingerprinting services for Louisiana license applicants. Details about the examination process can be found on their website at [www.candidate.psiexams.com](http://www.candidate.psiexams.com).
- Resident business entities applying for a producer license.
- Nonresident producers and adjusters, including nonresident adjusters with a designated home state.
- [The Licensing Information Handbook contains instructions and information on the licensing process.](#)

## **Step 4 – Access To Insurance Markets – Secure direct appointments and indirect markets**

### **Secure Market Commitments**

Direct appointments with a variety of established carriers that have broad, competitive insurance products to offer is the ideal situation; however, they are very hard to come by unless you have at least a three-year track record and a sizable book of business that you will bring to the table right off the bat. For most start-ups, market commitments will have to come from a combination of a few possible direct appointments and/or a variety of indirect markets such as wholesalers, managing general agencies and market aggregators.

#### **Direct Appointments**

Many insurance companies that operate through the independent agency system will only appoint agents who have some sort of established track record and/or are located in selected marketing territories. As an IIABL member, you also are a member of the Independent Insurance Agents & Brokers of America, giving you access to a number of markets it provides.

#### **Downloads & Links**

[Big I Markets](#)

## **Step 5 – Agency Management System – Framework for all the necessary business processes**

### **Choose an Agency Management System**

A fundamental building block for today's successful independent insurance agency is a good agency management system that can provide a framework for all the necessary business processes. The most effective independent agencies have maximized the ability to operate as digitally as possible, minimizing double entry and moving paper. Agency management software can range in cost from less than \$1,000 to \$5,000 for a start-up operation with monthly fees of \$60 to \$600, depending on the level of sophistication you desire. It is advised that a new agency should not skimp on agency management software since it will pay in the long run to operate as electronically as possible. When you join IIABL, you also become a member of the Independent Agents & Brokers of America, IIABA. IIABA sponsors an organization made up of independent agencies, carriers and technology vendors called the Agents Council on Technology.

The [ACT website](#) has numerous resources to help agencies harness technology to maximize productivity and profitability.

Download & Links

[IIABA Agents Council for Technology](#)

[Fuller Checklist](#)

[Choosing an Agency Management System](#)

[Automation Vendors](#)

## **Step 6 – Workflow Procedures – Develop a written procedures manual**

### **Establish Workflow Procedures**

It is estimated that one in five agents will be involved in an E&O claim. One of the best ways to avoid this potential is to create and develop a written procedures manual. This document should be fluid and adaptable to meet the market and client demands, but should also establish some structured guidelines to enforce the way you want your business handled.

Downloads & Links

[Guide to Agency Business processes and Information Management](#)

## **Step 7 – Additional Training**

### **Obtain Additional Training – Technical, Management**

Depending on your level of industry experience or your level of expertise in the various lines of business you intend to offer, IIABL offers a broad array of training resources to fit your needs.

Downloads & Links

[IIABL Education Calendar](#)

[CSR Boot Camp](#)

[New Hire Training](#)

[Prelicensing Education](#)

## **Step 8 – Recruit – The right staff for the right roles**

### **Recruit Staff**

Whether you need staff right off the bat or down the road, recruiting the right talent for the right roles is not easy, especially if you're doing everything in the agency yourself.

[Human Resources](#)